

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

IN RE: § CASE NO. 22-90341-11
§ JOINTLY ADMINISTERED
CORE SCIENTIFIC, INC., § HOUSTON, TEXAS
ET AL, § THURSDAY,
§ JUNE 29, 2023
DEBTORS. § 1:30 P.M. TO 2:02 P.M.

STATUS CONFERENCE (VIA ZOOM)

BEFORE THE HONORABLE DAVID R. JONES
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES: SEE NEXT PAGE

(Recorded via CourtSpeak)

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1 **HOUSTON, TEXAS; THURSDAY, JUNE 29, 2023; 1:30 P.M.**

2 THE COURT: This is Judge Jones. The time is 1:30
3 Central. Today is June the 29th, 2023. This is the Docket
4 for Houston, Texas.

5 On the 1:30 Docket, we have the jointly
6 administered cases under Case No. 22-90341, Core Scientific,
7 Inc.

8 Folks, please don't forget to record your
9 electronic appearance. That's a quick trip to the website,
10 a couple of mouse clicks, you can do that at any time prior
11 to the conclusion of this afternoon's hearing.

12 First time that you speak, if you would, please
13 state your name and who you represent. That really does
14 help the court reporters in the event that a transcript
15 request is made.

16 For those parties who are in the courtroom, if you
17 choose to speak, if you would, please come to the lectern so
18 that everyone can both see you and hear you.

19 For those folks who are on GoToMeeting, I have
20 activated the hand-raising feature. If you haven't already
21 done so, know you're going to be speaking, if you could give
22 me a five star, I'll get you unmuted. If you change your
23 mind during the hearing, you can, again, hit five star at
24 any time.

25 Finally, we are recording this afternoon using

1 CourtSpeak. We'll get the audio up on the Docket shortly
2 after the conclusion of the hearing this afternoon.

3 I've got a couple of people that have raised their
4 hands.

5 All right. Mr. Schrock, are you starting us off
6 this afternoon?

7 MR. SCHROCK: I am, Your Honor. Ray Schrock, Weil
8 Gotshal, counsel for the Debtors. I'll be kicking it off
9 and good afternoon.

10 First of all, Your Honor, thanks for allowing us
11 to appear electronically. It was a very strange thing.
12 I've never had this happen, but we actually couldn't get
13 flights Wednesday or Thursday. It was a bizarre thing that
14 was occurring with all the cancellations, so we appreciate
15 the accommodation.

16 THE COURT: Certainly.

17 MR. SCHROCK: We did coordinate with the other
18 parties on the zoom appearance, as well.

19 So Your Honor, I'm going to start off. We did
20 file a demonstrative --

21 THE COURT: So with the --

22 MR. SCHROCK: -- that we'd like to --

23 THE COURT: -- if it helps you, I've looked at the
24 PowerPoint. I've also read the Plan and Disclosure
25 Statement.

1 MR. SCHROCK: Okay, perfect.

2 Would you like me to put it up, Your Honor, for
3 others? Or I'm happy not to.

4 THE COURT: Are you going to do it yourself?

5 MR. SCHROCK: No. No, Your Honor. I was going to
6 ask my colleague, Austin Crabtree, to put it up.

7 THE COURT: Of course. I was going to say, yes, I
8 want to -- I want to see -- I want everyone to see the
9 PowerPoint. I was just going to be amazed if you were going
10 to ask for control.

11 MR. SCHROCK: No. No, no, Your Honor. I wouldn't
12 do that.

13 THE COURT: And Mr. Crabtree, you should have
14 control at this point.

15 MR. SCHROCK: Great. Austin, if you could put up
16 the presentation?

17 (Pause in the proceedings.)

18 THE COURT: Okay. He's got control. I just
19 checked again.

20 MR. SCHROCK: Okay. We have a backup plan just in
21 case if Cliff has to do it. Okay, there we go.

22 THE COURT: There we go.

23 MR. SCHROCK: Perfect. Okay. If you could flip
24 to the next page, please, Austin?

25 Okay. So here's what we're going to cover today:

1 Plan negotiations, a summary of the plan treatment, a
2 liquidity update, as well as next steps, Your Honor.

3 So Austin, please flip one more.

4 So overall, I'd say we've had a busy last several
5 weeks since we were last in front of Your Honor. We, you
6 know, did present the business plan, have gotten, you know,
7 feedback from all the major constituent groups.

8 As you know, we had the exclusivity hearing and
9 following that we did submit the consensual plan framework
10 to the key stakeholder groups. We first met with the
11 advisors and then later we were able to meet with all of the
12 principles, as well, and you know, we do have those parties
13 restricted at this point.

14 You know, there was a lot of back-and-forth, you
15 know, among the advisors, but on June 16th -- you know, we
16 did receive some feedback prior to that point, but June 16th
17 we submitted a draft of the Plan to the key stakeholder
18 groups' advisors. We filed the Plan and Disclosure
19 Statement on the 20th, consistent with the goal that Your
20 Honor had set and that we appreciate, frankly, for just
21 keeping the cases moving.

22 That Plan and Disclosure Statement does reflect,
23 as you noticed, there's two options, you know, with regard
24 to the convertible noteholders. There's a cram up plan and
25 there's a consensual plan. Why did we file that? I guess

1 is one, you know, consistent -- or one question that people
2 may have.

3 We're going to try really, really hard to get to a
4 consensual plan, Your Honor, and I want to emphasize that.
5 We did reserve time with Judge Isgur for later in July in
6 the event that we can't get there, but unless somebody else
7 is aware of, you know, how to handle when you believe
8 there's equity value at a company and you've got secured
9 creditors that aren't onboard, it's really your option.

10 And we are in a unique situation where we're
11 coming out of a period of, you know, great turmoil for
12 bitcoin and for this particular asset and we're going to
13 have to see, you know, how open the capital markets are, you
14 know, for this company.

15 TKT is already out there, you know, doing -- you
16 know, putting together capital raise efforts that's, you
17 know, in process. But overall, our fundamental belief is
18 that there's equity value, you know, and that with the rise
19 in the bitcoin price with, you know, where the company has
20 come, compared to where it started, and we'll take you
21 through some of that.

22 We think there's very little doubt, listen, there
23 is equity value here. We're going to have to find a way,
24 frankly, to get all of the constituents to accept, you know,
25 some compromises around how are we going to -- you know, we

1 want -- we would very much like the company deleveraged so
2 it doesn't end up in this situation again, if it doesn't --
3 you know, if it doesn't have -- the bitcoin price goes down
4 or some other adverse event.

5 But fundamentally we have to get the parties to
6 focus on it and get in a room.

7 So we've gotten responses back so far from the
8 Equity Committee. We've got a response back from the UCC.
9 I'm relatively optimistic that at the end of the day we're
10 going to have consensus with those two groups. The
11 equipment lenders, there's a good dialog and a back-and-
12 forth. I think that, you know, relatively optimistic we
13 could find a solution there, as well.

14 The convertible noteholders are, you know,
15 probably going to be the most challenging party for us to
16 reach consensus with, but I do think, you know, we're being
17 very creative in terms of what we're thinking about. I know
18 that, you know, I have great respect for my friend,
19 Mr. Hansen and I know that he's reasonable at the end of the
20 day. And if there's any way to try and bridge the gap,
21 either through, you know, true-up mechanisms, the company
22 just doesn't want, obviously, to leave all the value and
23 have people recover more than 100 cents.

24 I think, you know, Mr. Hansen's perspective, I'm
25 sure he'll give you, but you know, they have a different

1 view of value and they don't want to, you know, be left with
2 something less than 100 cents if we believe there is equity.

3 So that's where the rub is. I would prefer not to
4 have the novel valuation, you know, bitcoin mining company
5 trial, if we can avoid it, but if we have to, we're prepared
6 to go down that road. We are working really hard to get,
7 you know, consensus where we can and I think that at the end
8 of the day, I don't want to just run the mediation and just
9 have, you know, Judge Isgur say, "Listen, here we are." I'd
10 really like to try and narrow the differences at least
11 before we get in a room with him. But I think getting the
12 parties frankly in person and getting people focused, you
13 know, at the end of next month, that's going to be what
14 really -- you know, if there's a way to turn the corner and
15 get people to a consensus, that's what's going to do it.

16 But we've been busy at work. We are going to be
17 prepared to file the motion to approve the Disclosure
18 Statement by the middle of this month because we want to
19 keep the timing that we've set, which is to still trying to
20 emerge by the middle -- or you know, by the end of September
21 certainly.

22 But we're not disillusioned in that we think that
23 we know we still have work to do with these parties. The
24 good news is the company is doing well.

25 THE COURT: Let me ask --

1 MR. SCHROCK: Sorry, Your Honor, did you want to
2 say something?

3 THE COURT: No, I was just again, because I want
4 to -- I want to be helpful to the process. Would it be
5 helpful to give you a hearing date for the Disclosure
6 Statement?

7 MR. SCHROCK: Yes, it would, Your Honor.

8 THE COURT: What were you thinking?

9 MR. SCHROCK: You know, Ms. Berkovich, do you want
10 to help me out there with -- you know, I know we were
11 planning for a mid-July filing and we did have a -- hold on
12 just a second.

13 THE COURT: No, I asked a bad question.

14 Ms. Berkovich, what was Mr. Schrock thinking?

15 (Laughter)

16 MS. BERKOVICH: Your Honor, if we can get to an
17 early consensual plan and DS by mid-July, I think the first
18 week in August is the week that they're doing, beginning
19 July 31st would be a good week for the Disclosure Statement
20 hearing.

21 THE COURT: Do you want the Disclosure Statement
22 hearing on July 31st?

23 MR. SCHROCK: I think that's a little too early.

24 THE COURT: Okay.

25 MR. SCHROCK: I think if we could get, Your Honor,

1 like around August 3rd or certainly the week following, that
2 would be sufficient.

3 THE COURT: And let me ask, again, Disclosure
4 Statement hearings don't typically generate that many
5 sparks. I am happy to do it later that week.

6 I have a Laredo Docket on Thursday, the 3rd, so we
7 could do it by video on the 3rd, if that would work for
8 everybody. I could also do it on the 7th, if that is
9 preferable.

10 MR. SCHROCK: I will just go ahead and say, Your
11 Honor, just given where we are at the moment, to avoid
12 everybody else piping in and suggesting the 7th, I'll
13 suggest the 7th just in the event that we don't have -- in
14 the event we don't have consensus.

15 THE COURT: All right. Has anyone got a
16 scheduling conflict for the 7th that can't be managed?

17 (No audible response.)

18 THE COURT: All right. Then why don't we do this?
19 Mr. Schrock, I'll go ahead and schedule a hearing on the
20 Disclosure Statement that is filed, as it may be
21 subsequently amended, for August the 7th, 2023 at -- do you
22 want late in the day or early in the morning, or at lunch
23 time?

24 MR. SCHROCK: Lunch time would be great, Your
25 Honor, you know, shortly after lunch.

1 THE COURT: Then if I did it at noon my time that
2 would be 1:00 o'clock for the folks on the East Coast.
3 Would that work?

4 MR. SCHROCK: That's fine for me, Your Honor.

5 THE COURT: All right. Then go ahead and notice
6 it for August the 7th at noon Central.

7 MR. SCHROCK: Will do, Your Honor, and thank you
8 very much.

9 THE COURT: All right.

10 MR. SCHROCK: So I'm probably going to have some
11 comments at the end of the Status Conference, Your Honor,
12 but I want to hand the lectern, absent any more questions,
13 over to Ms. Berkovich.

14 THE COURT: All right. Thank you.

15 Ms. Berkovich, good afternoon.

16 MS. BERKOVICH: Good afternoon, Your Honor. Roni
17 Berkovich from Weil Gotshal for the Debtor.

18 Moving on to Slide 6.

19 I know Your Honor read the Plan and Disclosure
20 Statement, so we don't need to delve into details here, but
21 really the theory of our plan is to provide a plan that
22 hopefully gets the consensus with everyone, but provides a
23 consensual path for emergence if we can't reach consensus
24 (indiscernible) with the secured noteholders.

25 You know, we need a way out of Chapter 11.

1 There's two classes of noteholders, the "April Notes" and
2 "August Notes," as we call them. They have slightly
3 different rates. We classified them separately. And for
4 each of those classes, if they accept the Plan, they get
5 their treatment 50 percent in equity and 50 percent in a new
6 note, you know, total paid for them. But if either of those
7 classes reject the Plan, the Plan provides for standard cram
8 up notes for the full value of the claim.

9 The default treatment for everyone else, or
10 (indiscernible) actually, simply reflect the priorities that
11 the Bankruptcy Code tells us and provides a waterfall value.
12 DIP claims are on top, they get paid in full. Every secured
13 creditors gets the present value of their secured claims and
14 they get to keep their collateral.

15 There are many different classes of secured
16 creditors here. Beyond the convertible noteholders, we have
17 our binding equipment lenders, we have our non-binding
18 equipment lenders, we have credit mechanic's lien
19 noteholders, and we have mortgage claims, so all of them get
20 their Bankruptcy Code extended treatment.

21 Then unsecured creditors receive a 100 percent
22 recovery in the form of new equity and only after all
23 non-priority creditors -- or I should say, all non-
24 subordinated creditors are paid in full to the value -- the
25 residual value disclosed to equity holders and if there are

1 any subordinated creditors.

2 As Mr. Schrock said, we do expect there to be
3 value and so equity does get a recovery here.

4 In addition, as Mr. Schrock said, we tried to be
5 creative here and we understand that creditors may have
6 different interests in terms of what type of consideration
7 they receive, but some of the classes have options and will
8 receive different treatment. There is a default treatment,
9 you know, mandated by the Bankruptcy Code, but there's also
10 option to select the different form of consideration for a
11 slightly lesser claim and the like.

12 We really tried -- are trying to save as many
13 people as possible here, (indiscernible) satisfy Bankruptcy
14 Code requirements.

15 THE COURT: I appreciate the approach. It was an
16 enjoyable read.

17 MS. BERKOVICH: Good. The next couple of slides
18 get into very much detail about the Plan treatment. Your
19 Honor has read the Plan and I'm sure that everyone on this
20 call has read the Plan. I don't know that we need to get
21 into each one, but I'm happy to do so, if the Court would
22 like.

23 THE COURT: I think that you've given everybody --
24 if people want to know more, again, the documents are there.
25 We're early on in the process. If you want to go through

1 it, I'm happy for you to do that for folks, but I don't need
2 it.

3 MS. BERKOVICH: Okay. No, I don't think it's
4 necessary because we've been having lots of conversations
5 with all the major stakeholders. We've also had smaller
6 creditors reach out to us and we're taking all calls, you
7 know, want to know about the question about the plan
8 details, please feel free to call Mr. Schrock, me,
9 Mr. Carlson, who is on the line, too. We're happy to talk
10 to you.

11 THE COURT: And again, for those folks who are on
12 the video, if you want a copy of the PowerPoint, it can be
13 found at Docket Entry No. 1009.

14 Sorry for the interruption.

15 MS. BERKOVICH: No, we can also acknowledge.

16 So next we go to Slide 10.

17 You know, there are different ways of showing that
18 the business is doing well, as Mr. Schrock said. Here we
19 show just some of the company's cash position and this slide
20 is an update for something we showed the Court previously
21 that really shows that we are doing well, as compared to our
22 initial forecast in December.

23 Not only that, but we've updated the budget
24 periodically and we've exceeded all of our budget in the
25 cash position, so you know, it's (indiscernible) even though

1 the expected (indiscernible) has been extended by four
2 months, or rejected ended in liquidated, it's forecast to be
3 \$48 million greater than our initial budget, when excluding
4 the impacts of DIP draws and payments.

5 And we're pleased to report that we have not had
6 to draw on the DIP any further in support in terms of the
7 replacement DIP in early February. We've actually retained
8 the DIP in the last few months (glitch in the audio) excess
9 cash.

10 THE COURT: Ms. Berkovich --

11 MS. BERKOVICH: Yes. Yes, Your Honor?

12 THE COURT: No, my apologies. I was just going to
13 say, the improvements or the improvement that has occurred,
14 is it just solely due to rise in price of the commodity or
15 have there been structural changes that the expense
16 structure is now much better, or both?

17 MS. BERKOVICH: Your Honor, it's primarily as a
18 result of increased receipts from self-mining through the
19 factors we discussed last time that impact how much we get
20 from our mining of the bitcoin, as well as very importantly
21 the decrease in power disbursements with much favorable
22 interview pricing since the beginning of the case, as well
23 as obviously always, the good management of the company that
24 there haven't been many structural changes to the business.

25 There have been a few, we mentioned some in our

1 Disclosure Statement, some changes in the way we contract,
2 for example, with our existing customers and overall it's
3 been moved to factors.

4 THE COURT: Okay. Thank you.

5 MS. BERKOVICH: And let's go to the next step,
6 (glitch in the audio) presentation (glitch in the audio).

7 Again, we're going to continue with our daily
8 conversations with all of our major stakeholders and minor
9 stakeholders. We hope -- if necessary, we'll go to
10 mediation to resolve remaining disputes. So until we get
11 there, we've got a date there -- you know, having a date
12 just like Your Honor gave us a date to file the Plan, that
13 was very helpful and you know, having those couple of nights
14 around the clock to get the Plan on file and I think having
15 a date for mediation will cause people to work hard to try
16 to get to the date before then.

17 And we will file our Disclosure Statement and be
18 back before Your Honor on August 7th for approval.

19 You know, that bring us to confirmation, you know,
20 early to mid-September with a hopeful exit by the end of the
21 first quarter.

22 THE COURT: Okay. Thank you.

23 MS. BERKOVICH: That concludes my presentation,
24 unless Your Honor has any further questions.

25 THE COURT: I don't, but thank you.

1 MR. SCHROCK: Other parties want to talk to you,
2 to be heard, Your Honor, so we're happy to turn over the
3 podium.

4 THE COURT: No, of course, thank you. I just
5 didn't know if there was anything else the Debtors wanted to
6 address.

7 Let me ask, let's see. Somebody raised their
8 hand.

9 Ah, Mr. Willkie?

10 (No audible response.)

11 THE COURT: Ah, had you hit five star on your
12 phone or do you have me double safety?

13 (No audible response.)

14 THE COURT: It's become my standard question.

15 MR. MILLER: Can you hear me now?

16 THE COURT: I can. Thank you.

17 I always wanted to meet Mr. Willkie.

18 MR. MILLER: Brett Miller -- he's been long dead,
19 but I'm here in his place today. Brett Miller, Willkie Farr
20 & Gallagher. I'm not quite sure why it automatically pops
21 up as Willkie in the box, but for the Official Committee of
22 Unsecured Creditors.

23 We have been working with the Debtors regarding
24 negotiations, regarding the business plan. We've provided
25 comments to the Plan. Some of our comments made it into the

1 filed draft; others remain on an open list.

2 And we absolutely agree with the comments that
3 creditors should be paid in full. I mean, I support
4 Mr. Schrock and Ms. Berkovich completely that it's 100-cent
5 case, but the devil is in the details and getting there is
6 going to be interesting regarding valuation, regarding
7 currency.

8 We did make a counter-proposal regarding the
9 proposed note that's in the draft plan, which, you know,
10 we're happy to sit down further and work out the details on
11 that one, but the Committee does see the value here. Your
12 Honor is correct, the bitcoin pricing has helped and as
13 Ms. Berkovich just said, the other factors make this a real
14 solid case for hundred cents to creditors and something left
15 over for equity.

16 I'll let Mr. Hansen speak for his clients, but we
17 also have opened up the dialog with them, as well as with
18 the Equity Committee, and the Equipment Lenders. So the
19 Creditors Committee is open for business in speaking with
20 everyone and hope to facilitate getting a deal done as
21 quickly as possible.

22 THE COURT: I really appreciate the comments.

23 MR. MILLER: Thank you.

24 THE COURT: Because everyone is going to have to
25 figure out how to manage uncertainty in this because it can

1 just move really far really quick, and so I appreciate
2 everybody being flexible and creative in trying to figure
3 out how to deal with that uncertainty. But thank you.

4 Mr. Autry, you raised your hand?

5 MR. AUTRY: Your Honor, I was just demonstrating
6 my technical -- my lack of technical skills, I apologize.

7 THE COURT: No, you should have said I was just
8 testing in case I has something important to say. I would
9 have enjoyed that.

10 Anyone else have comments they want to make?

11 Mr. Hansen, or Mr. Lohan, I'll come back to you.

12 MR. HANSEN: Yes, Your Honor.

13 THE COURT: Yes. Go ahead, please.

14 Good afternoon.

15 MR. HANSEN: Can you -- Good afternoon, Your
16 Honor. Can you hear me okay?

17 THE COURT: Loud and clear and thank you for
18 checking.

19 MR. HANSEN: Okay. Kris Hansen with Paul Hastings
20 on behalf of the Ad Hoc Committee of Convertible
21 Noteholders, Your Honor.

22 Your Honor, I'd just say that we obviously echo
23 the Debtors' sentiments. We'd like nothing more than an
24 agreeable deal where we all come back to you and present a
25 Plan that everybody is on board with, or most people are on

1 board with, and we can proceed to confirmation.

2 I think the problem that we're having on our end
3 is we're struggling a little bit. You know, the valuation
4 -- the business plan and the valuation that flows from the
5 business plan, the exit in the Plan of Reorganization that
6 was filed has equity in (indiscernible) and if you look at
7 the Plan, right, it basically says that everybody consents
8 to it and if you don't, we'll cram you down.

9 And on the cram down side, especially when you
10 think about what the Debtor purports as a solvent entity,
11 cramming down looks like we'll have an 1129(b) compliant
12 debt from a convertible note perspective is one very
13 interesting aspect.

14 Another angle that's interesting is the Plan
15 contemplates needing new capital in order to at least
16 partially pay debt service. So in the context of that, it
17 really raises some interesting questions around the business
18 plan value. And the business plan itself is really only
19 applicable in the consensual sense. If there's a cram down
20 here, and those debt service costs rise dramatically across
21 the capital structure, there kind of needs to be a new
22 business plan.

23 And so that's something that we need to evaluate,
24 too.

25 And as I said, Your Honor, one of the struggles

1 that we're having in terms of responding to the Debtor --
2 and again, just trying to be really open with Your Honor --
3 is that we're struggling because it's not as easy as saying,
4 "Oh, well, why don't we just adjust a little bit here or
5 there on our treatment?"

6 As you can tell, there are an awful lot of classes
7 and creditors around this capital structure and as
8 Mr. Miller just pointed out, the Debtor is saying, "Hey,
9 we're going to pay everybody in full," and it just doesn't
10 appear that that's possible and so we're struggling a little
11 bit with how to respond because we're turning around to
12 think well, if we pull Lever A, that that basically makes
13 the entirety of the process move and how does that look?

14 So it's been a little bit difficult for us to get
15 there. We also obviously don't want to wind up in
16 bankruptcy again any time soon, if we're taking back
17 material amounts of debt based upon the (indiscernible)
18 currency, which for the most part dictates to how you hear.
19 We all know how power goes up and down pretty regularly.
20 We've got a curve that we can look at there in connection.
21 We'd like to plan for it, as opposed to bitcoin, which seems
22 to be a little bit difficult to guess where it's going.

23 So we just want to make sure, you know, the Court
24 understands that we understand that Judge Isgur has time at
25 the end of the month. You know, that's fine. We're happy

1 -- always happy to go talk to Judge Isgur if we need to.
2 We'll see what we can work out on our own between here and
3 then, you know? But if we don't get there, then obviously
4 we know Your Honor is always open to giving everybody their
5 day in court and we'll go through the evidence and all legal
6 issues and then make rules.

7 So I just wanted to give you a little bit of a
8 feel for where we are, Your Honor.

9 THE COURT: That it -- no, thank you. And again,
10 it all gets back, I think. I think we're just saying the
11 same thing. You don't know how to manage the uncertainty.

12 There are a couple of things that pop into my head
13 and again, I'm not a party, I'm not an advocate, I'm not a
14 lawyer and so I'm going to keep those thoughts to myself.
15 The only reason I bring that up is that we all know who made
16 me what I am, that's why so many people hate him, and it
17 might be worth having a conversation with Isgur sooner
18 rather than later 'cause my guess is, he'll probably tell
19 you pretty close to the same thing.

20 But again, you guys do what you want to do.
21 Again, I agree with everything you said and I will just wait
22 to see what happens.

23 MR. HANSEN: Thank you, Your Honor.

24 THE COURT: Mr. Lohan, I think you raised your
25 hand. Did you opt to pull it back?

1 MR. LOHAN: No, Your Honor. I just took it down,
2 but I appreciate just one second of your time.

3 THE COURT: Of course.

4 MR. LOHAN: Again for the Record, Brian Lohan,
5 Arnold Porter, on behalf of Barings, one of the Equipment
6 Lenders.

7 And we agree with Mr. Schrock and Ms. Berkovich
8 that this company needs a way out of bankruptcy. And we
9 appreciate that the Plan they filed is definitely the means
10 to push this case forward.

11 Now we disagree with our treatment that was
12 proposed under the Plan, but like Mr. Miller, we have sent
13 the Debtors a counterproposal and we appreciate that the
14 Debtors have been constructive in their engagement and you
15 know, we hope that the Debtors and the Court understands
16 that we tried to work together, the Equipment Lenders as a
17 group. And we did band together six Equipment Lenders to
18 create a counterproposal to try to streamline the
19 discussion.

20 Hopefully we don't need to, but of course, you
21 know, we're always happy to participate in Plan mediation
22 and we certainly appreciate Judge Isgur's time and guidance
23 in the process.

24 THE COURT: I'm just trying to keep him busy.
25 When he has idle time, he's a pain to deal with.

1 So no, it's -- I'm --

2 MR. LOHAN: He's going to get --

3 THE COURT: -- I'm thinking you guys --

4 MR. LOHAN: -- bored. He had his last big
5 confirmation hearing yesterday, he told us, so he's going to
6 need some stuff to fill up his summer.

7 THE COURT: See. What you heard, you got on
8 video. I get the other 23 hours a day in person, so no,
9 he's -- again, I quite frankly for this, I encourage that
10 conversation sooner rather than later 'cause I'm going to
11 guess that he'll probably tell you something close to what I
12 would say and then none of you will like it and then you'll
13 go tweak it and then you'll find common ground.

14 So I encourage that sooner rather than later. In
15 all seriously I do think that he would be really helpful,
16 but again, you folks, as I say before, you're the best there
17 are, so I trust your judgment. You do what you think is
18 right for your constituents.

19 Anyone else want to weigh in on any of this?

20 (No audible response.)

21 THE COURT: All right. So Mr. Schrock --

22 MR. MEYER: Your Honor, can you --

23 THE COURT: Mr. Meyer?

24 MR. MEYER: Apologies, Your Honor. David Meyer of
25 Vinson & Elkins on behalf of the Equity Committee.

1 Just a few brief comments. I think no one can
2 dispute here that all the market trends are working in the
3 Debtors' favor. And I think --

4 THE COURT: Today.

5 MR. MEYER: -- Mr. Schrock and Ms. Berkovich --
6 today -- Mr. Schrock and Ms. Berkovich have highlighted that
7 well.

8 Look, we, too, we believe this is a solvent Debtor
9 case. We believe the equity holders should receive
10 significant and meaningful recoveries. The thing, Your
11 Honor, our client has the -- seems to have the why-is-the-
12 company-here type attitude in the first instance, but we are
13 where we are and we, too, would welcome a conversation with
14 Judge Isgur if it comes to that and would eagerly
15 participate in mediation to the extent we're not able to
16 reach a constructive resolution in the upcoming weeks, but I
17 echo Mr. Schrock's comments that we're here and we'll
18 continue to work with the company and all of its
19 stakeholders.

20 THE COURT: Thank you.

21 I expect nothing else because you are who you are.

22 Mr. Schrock, let me ask you: I've given you --

23 MR. SCHROCK: Yes.

24 THE COURT: -- hearing date for Disclosure
25 Statement. Is there anything else that you believe that I

1 can do to help move the process forward?

2 MR. SCHROCK: I don't think so at this time, Your
3 Honor. I think setting the dates, you know, for filing the
4 Plan and giving us a Disclosure Statement hearing is really
5 what we needed. I will say that we take to heart your
6 comments about getting Judge Isgur involved. Certainly if
7 we need to get him involved sooner, we won't wait.

8 We do have some ideas about how to bridge the gap,
9 but I do want to note that, you know, the senior management
10 team I think we'll have with us in court the next time we're
11 together, so if we need to talk a little bit more about the
12 business, you know, questions around the business, how it's
13 performing, whether some of the issues that we're dealing
14 with, we're going to be prepared to do that.

15 I do think also that the fact that this company --
16 you know, we do intend -- it's going to be a public company
17 when we emerge and so when you have that kind of public
18 market that will be there for the company post-emergence, it
19 does provide, I think, compared to at least with a private
20 company, it provides a basis upon which you can start to
21 see, how can I solve for value? Are people going to be
22 right or are there going to be people wrong? You know, you
23 can pick up true-up mechanisms and the like and especially
24 if people think that the value is there, you know, the proof
25 will be in the pudding.

1 So we're very cognizant of that and at the same
2 time, you know, we're trying to do the right thing by
3 everybody here. So we really appreciate the time and we're
4 going to continue working on it.

5 THE COURT: Got it. Thank you.

6 Anyone else have any requests or any comments they
7 want to make?

8 (No audible response.)

9 THE COURT: All right. Then everyone please have
10 a wonderful and safe holiday. Don't fly -- joking, sort of.

11 But anyway, please have a wonderful holiday and
12 I'll see everybody soon.

13 Thank you.

14 We'll be adjourned until 2:30.

15 (The parties thank the Court.)

16 (Hearing adjourned at 2:02 p.m.)

17 * * * * *

18 I certify that the foregoing is a correct
19 transcript to the best of my ability from the electronic
20 sound recording of the ZOOM/video/telephonic proceedings in
21 the above-entitled matter.

22 /S/ MARY D. HENRY

23 CERTIFIED BY THE AMERICAN ASSOCIATION OF
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